

## Message Text

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ACTION EUR-12

INFO OCT-01 ARA-06 ISO-00 EURE-00 L-02 H-01 CIAE-00 INR-05

NSAE-00 RSC-01 /028 W

----- 078529

P R 161846Z DEC 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC PRIORITY 5192

INFO AMCONSUL MARTINIQUE

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E.O. 11652: N/A

TAGS: EFIN, FR

SUBJECT: U.S. INVESTMENT IN ST. MARTIN

REF: A. PARIS 26081; B. STATE 262713

1. SINCE PRIOR TO RECEIVING REFTEL B, EMBASSY HAS BEEN IN NEARLY DAILY CONTACT WITH FINANCE MINISTRY ON BIALAC INVESTMENT PROJECT ON ST. MARTIN, FWI, IN EFFORT TO GET READING ON STATUS OF THE CASE, AS WE UNDERTOOK TO DO IN MEETING WITH BIALAC LAST SEPTEMBER.

2. ROUND ROBIN OF DISCUSSIONS WITH FOUR MINISTRY OFFICIALS WHO HAVE WORKED ON VARIOUS ASPECTS OF THE PROBLEM HAS BROUGHT OUT FOLLOWING POINTS:

A. FINANCE MINISTRY HAD RECEIVED APPLICATION OF ROTHSCHILD INTERESTS, AND WAS GIVING IT FAVORABLE CONSIDERATION, WELL BEFORE IT WAS MADE AWARE OF INTEREST OF BIALAC THROUGH LETTER FROM HIS PARIS ATTORNEY, MAITRE VAISSE (REFTEL A, PARA. L). MINISTRY SEEMS DETERMINED TO CONTINUE ON THIS COURSE DESPITE NEW AND POSSIBLY BETTER OFFER OF BIALAC.

B. REPLY TO VAISSE LETTER, APPARENTLY GIVING BIALAC PROPOSALS THE "BRUSH-OFF", WAS DRAFTED SIX WEEKS

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AGO, AND HAS SINCE BEEN "LOST" OR "HELD-UP" IN CABINET

(I.E., FINANCE MINISTER'S STAFF). HOWEVER, BAUCHARD SAYS IT WILL NOW GO OUT WITHOUT FURTHER DELAY.

C. KEY QUESTION, AND APPARENT PRE-CONDITION TO BIALAC'S OFFER, IS CONFIRMATION OF CONTINUATION OF BEACH RIGHTS ACCORDED ORIGINAL PROJECT (REFTEL A, PARA. L,B). GOF IS UNDER NO OBLIGATION TO COMMIT ITSELF FORMALLY ON THIS QUESTION, AND MOST PROBABLY WILL NOT DO SO. WE HAVE BEEN TOLD INFORMALLY, HOWEVER, THAT RIGHTS WILL BE CONTINUED, IF AT ALL, ONLY ON CONCESSION LIMITED TO GIVEN PERIOD OF TIME, NOT AS PERPETUAL GRANT.

D. TAX PRIVILEGES (REFTEL A, PARA. L,C) REQUIRE EXPRESS ACCORD OF BOTH GUADELOUPE DEPARTMENT AND FINANCE MINISTRY AND THEREFORE CAN LIKEWISE BE WITHHELD FROM BIALAC.

E. BIALAC, THROUGH MEMBERS OF CONGRESS, HAS ALSO APPROACHED FRENCH EMBASSY IN WASHINGTON, WHICH INQUIRED OF FINANCE MINISTRY AS TO WHY HIS PROPOSAL NOT APPROVED. THIS INQUIRY WAS ROUTED DIRECTLY TO OFFICE OF INVESTMENTS IN FRENCH TREASURY (MR. HERNANDEZ), WHO SEEMED UNAWARE OF EARLIER LETTERS OF VAISSE. HERNANDEZ TOLD EMBOFF HE WOULD REPLY TO FRENCH EMBASSY THAT, SINCE NO FORMAL APPLICATION FOR FOREIGN DIRECT INVESTMENT (DECLARATION PREALABLE D'INVESTISSEMENT DIRECT EN FRANCE) HAS BEEN RECEIVED, THERE IS NO QUESTION OF DENIAL. TECHNICALLY, HE IS CORRECT.

2. RE PARA. L-C ABOVE, VAISSE HAS EXPRESSED OPINION TO US THAT AS MATTER OF LAW, CONCESSION ON BEACH RIGHTS MADE TO NOW BANKRUPT COMPANY WHICH STARTED LA BELLE CREOLE PROJECT DID NOT EXPIRE WITH DEMISE OF THAT COMPANY (AS FINANCE MINISTRY SEEMS TO HOLD) BUT SHOULD RIGHTLY BE INCLUDED AMONG ASSETS UP FOR SALE TO SATISFY COMPANY'S CREDITORS. THIS IS APPARENTLY THE ISSUE THAT HE AND BIALAC (AND OTHER PROSPECTIVE BUYERS) ARE GOING TO GUADELOUPE TO RAISE AT THE UPCOMING HEARING (REFTEL B).

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3. COMMENT.

A. BIALAC'S CHANCES OF ACQUIRING LA BELLE CREOLE DO NOT LOOK GOOD. IT IS CLEAR THAT HE IS BUCKING A VERY STRONG COMPETING GROUP, WHICH SEEMS TO HAVE LINED UP CONSIDERABLE SUPPORT WITHIN FINANCE MINISTRY FOR ITS CAUSE.

B. FYI. ON THE OTHER HAND, BIALAC'S PARIS ATTORNEY

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MAITRE VAISSE DOES NOT SEEM TO US TO HAVE PRESSED BIALAC'S CASE VERY VIGOROUSLY WITH FRENCH AUTHORITIES. HIS ONLY FORMAL CONTACT WITH THEM ON THE MATTER APPEARS TO HAVE BEEN HIS LETTERS OF JULY 26 AND SEPTEMBER 24 ADDRESSED TO "DIRECTEUR DE CABINET, MINISTERE DES FINANCES". SUCH AN IMPERSONAL AND ROUTINE APPROACH TO A COMPLEX AND DELICATE QUESTION HANDLED IN A LABYRINTHINE MINISTRY IS LITTLE MORE THAN A "NOTE IN A BOTTLE" PLAY. INsofar AS WE CAN TELL, VAISSE HAS NOT ATTEMPTED TO FOLLOW UP THROUGH PERSONAL INTERVIEWS WITH THE OFFICIALS EXAMINING BIALAC'S CASE, NOR OTHERWISE TO TIP THE SCALES IN HIS CLIENT'S FAVOR. MOREOVER, HE HAS APPARENTLY MADE NO EFFORT TO LINE UP CREDITORS OF DEFUNCT GROUP, WHO WOULD SEEM TO BE BIALAC'S NATURAL ALLIES, IF HIS PROPOSAL IS INDEED BETTER THAN COMPETING OFFERS. END FYI.

C. THE VAISSE LETTER DOES NOT CONSTITUTE A FORMAL APPLICATION UNDER FOREIGN INVESTMENT REGULATIONS, AND, AS HERNANDEZ SAID, THERE HAS BEEN NO REFUSAL OF DIRECT

INVESTMENT. HOWEVER, ON BASIS OF WHAT WE KNOW ABOUT  
FINANCE MINISTRY'S ATTITUDE IN THIS CASE, FORMAL APPLI-  
CATION FROM BIALAC WOULD PROBABLY EVOKE DEFINITE REFUSAL  
BY MINISTRY OR AT BEST INDEFINITE DEFERRAL OF ANY DECI-  
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SION. MOREOVER, MINISTRY COULD HAMSTRING BIALAC BY  
WITHHOLDING GRANT OF BEACH RIGHTS TO HIM. WHILE HE  
MIGHT CHALLENGE THIS POSITION IN FRENCH COURTS, AS  
MR. VAISSE HAS SUGGESTED (PARA. 2 ABOVE), THIS WOULD  
BE LONG DRAWN-OUT AFFAIR AT BEST. WE ARE UNABLE TO  
JUDGE LEGAL VALIDITY OF VAISSE'S CONTENTION THAT  
ORIGINAL CONCESSION STILL STANDS.

D. WE REGRET WE HAVE NOT BEEN ABLE TO DEVELOP A  
CLEARER PICTURE OF FINANCE MINISTRY'S POSITION.  
NEVERTHELESS, WE BELIEVE INFORMATION CONTAINED IN  
PARA. L ABOVE FULFILLS OUR UNDERTAKING TO BIALAC TO  
ASCERTAIN STATUS OF HIS PROPOSAL.  
STONE

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## Message Attributes

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**Channel Indicators:** n/a  
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**Disposition Approved on Date:**  
**Disposition Authority:** ElyME  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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